



IMPACT OF COVID-19 ON FEDERAL STRUCTURE OF COUNTRY (INDIA)

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ABSTRACT

COVID-19 has made the states situation worse in case of revenue collection. They have entirely been made dependent on the centre. The introduction of PM CARES Fund, its contribution as CSR, and GST Compensation all made the centre more powerful as giving it the major source of revenue collection. This made the federal structure of the country under risk. This article deals with what was the need of constituting PM CARES Fund, why the contribution to State Relief Fund is not counted as CSR and at this time of urgency why the MPLADS is suspended? These all give a dent of making the centre more powerful. Public health being a state subject and also the states having more role in containing this pandemic more resources should be allocated to them.

KEYWORDS: Federalism, COVID-19, PM CARES Fund, CSR, GST Compensation, MPLADS, Cooperative Federalism.

INTRODUCTION:

Federalism means sharing of power between union and states. India is not purely a federal country. Therefore there is no use of the word federal in Indian constitution. But it uses the term 'union of states'. Many scholars therefore term it a quasi-federal structure where centre is more powerful than states. The power is divided between the centre and states. The subjects are divided as mentioned in three lists provided under Schedule VII of the Constitution i.e. Union List, State List, and Concurrent List.

The matters of public health and sanitation come under the state list and, therefore, it is the power of the state to formulate laws and policies regarding it. So during this pandemic the states are required to take the lead role. They need to establish proper health infrastructure and its access to everyone. They are the ones which can see at ground level whether the equipments requirement like PPE kit is met, the treatment of COVID sufferers at reasonable price, even freely, is done, the maternity benefits to the mothers is provided, the salary to the hospital staff, and many others. For doing all this, it is necessary that the coffers of state government should have adequate funds.

This pandemic has hardly hit the revenue collecting sources of state government like ban of sale of liquor for sometime during lockdown. Due to lockdown fewer vehicles can be seen on roads and therefore reducing the demand for petroleum products and thus reducing the collection of sales tax on petroleum products.

PM CARES FUND: DIVERGING THE COLLECTION OF STATES

Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) is constituted by the central government to combat this COVID-19 pandemic. PM is ex-officio chairman of the Fund and Finance Minister, Home Minister, and Defence Minister are its ex-officio Trustees. Three more can be appointed to this Board of Trustees by the PM. It is said by the government that it will lead to consolidation of resources and its better allocation. On reading the objectives of establishing PM CARES Fund one gets a clear message of an attempt to concentrate power at the centre. It is exempted from Income Tax Act, 1961, Foreign Contribution (Regulation) Act, 2010, meaning thereby that foreign contributions can be made. It is also not allowed to be audited by Comptroller and Auditor General (CAG). For it independent auditors are appointed. It is said that it is in consistency with Prime Minister National Relief Fund (PMNRF). But what was the need to establish it if there existed already PMNRF. Its objectives are the same of PMNRF. Also states were having their Chief Minister Relief Fund for such emergencies and disasters. The PM CARES web page is opaque regarding the amount of money collected, names of donors, and the expenditure done so far. The PM CARES Fund does not look like helping the state government but the central government simply filling its own pockets with this to be called black money.

CONTRIBUTION TO PM CARES FUND: A CSR

As per Section 135 of the Companies Act 2013, every company with a net worth of Rs. 500 crore or more, or a turnover of over Rs. 1,000 crores or more, or a net profit exceeding Rs. 5 crore during the immediately preceding financial year is required to spend at least 2% of its average net profits (made during the three immediately preceding financial years) in pursuance of its Corporate Social Responsibility (CSR). Schedule VII of the Act provides some activities where the spending can be done by companies for fulfilling their CSR.

Ministry of Corporate Affairs announced that the contributions made to PM

CARES Fund will be counted as CSR. It does not qualify the contribution to State Relief fund as CSR. This announcement again makes the state coffers at risk. The companies will prefer to contribute in PM CARES Fund instead of Chief Minister's Relief Fund. This will adversely affect the revenue of state governments and so making it very difficult for the government to take proper measures for containing the spread of pandemic. The states will have to spread its hands before central government for doing which is under its jurisdiction making the federalism just a piece of paper.

PENDING GST COMPENSATION:

The GST mechanism had severely harmed state abilities to raise their own finances. GST Collection has seen a dip during the pandemic and lockdown due to relaxation in return filing and so severely affecting the state revenue. Under GST law, states are guaranteed full compensation for any revenue loss for the first five years after the introduction of the goods and services tax (GST) in July 2017. GST compensation of Rs. 36,500 Crore for December 2019 to February 2020 was released only on June 4. The state governments will require to be paid a whopping Rs 80,000 crore more as compensation for their State Goods and Service Tax (S-GST) shortfall in the March-May period, going by the formula of 14% assured annual revenue growth. The state governments at this time of urgency are demanding compensation from central government, so making the state government to work at the mercy of the central government.

SUSPENSION OF MPLAD SCHEME:

MPLADS (Member of Parliament Local Area Development Scheme) has been suspended for two years. It is done for the reason that the fund now will be contributed to PM CARES Fund for preventing and treating this COVID-19. Under the scheme, each Member of Parliament has the choice to suggest to the District Collector for works of up to 5 crores per annum to be taken up in his/her constituency. At this time when the fund could be used in containing the disease in every constituency it is diverted to PM CARES Fund.

COOPERATIVE FEDERALISM:

It is the administrative cooperation between centre and state and among states. The constitution of PM CARES Fund, GST, all is done in the name of Cooperative Federalism. But cooperative federalism is not just a concept. The central government is required to take the state with it. It has to make proper allocation to the states and should not make the states to function at its mercy.

Federalism is a basic structure of Indian constitution as held in *Kesavananda Bharati v. State of Kerala*. The central government shall take steps to retain it. The Parliament can also not amend the basic structure of the constitution.

While deciding on any issue, especially where the state has an impact of the decision, the state government shall be consulted. Every step taken should have transparency. Concentration of power should not be done under the garb of cooperative federalism.

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